

2013 Property Tax Reform

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No one can walk
backwards into the
future



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2013 Property Tax Reform

- **What is the reform?**
- **Who does it impact?**
- **When does it happen?**
- **How does it affect me as a supervisor?**



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2013 Property Tax Reform

- **What is the reform?**
 - Business Property Tax Credit
 - New rollbacks or assessment limitation & replacement claims
 - Changes to taxable value growth for residential & agricultural property
 - New classification Multi-residential
 - New exemption for telecommunications property



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426C Business Property Tax Credit

Credit Against Tax

- For commercial, industrial and railroad property *units*
- 2013 Assessment 1st year
 - January 15, 2014 applications due
 - 1st application *a person may apply*
 - Subsequent years: due date March 15th for prior year assessment
 - Transfers in ownership or other changes requires reapplication by the owner or buyer
- State funded credit



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426C.1 & 426C.4 Business Property Tax Credit

Excludes:

- *Section 42 housing*
- *Mobile home parks*
- *Manufactured home communities*
- *Land-leased community*
- *Assisted living facilities*
- *Anything Defined in new 441.21, Subsection 13: property **primarily** used or intended for human habitation containing three or more separate dwelling units.*



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426C.1 & 426C.4 Business Property Tax Credit

Unit is:

- Within the same county
- Same classification
- Same ownership
- Separate item on tax list
- Operated by that “person” for common use and purpose
- Maybe contiguous parcels:
 - share common boundary
 - within same building or structure, regardless of boundary
 - BLL’s are contiguous as long as the land upon which they sit is contiguous regardless of the land ownership



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426C.1 & 426C.4 Business Property Tax Credit

- Application process
 - Assessor receives applications and approves or denies
 - Denial must be in writing
- Assessor recommends approval to Auditor
 - If disallowed appeal is to District Court 426C.6
- Auditor submits final listing County Supervisors for final approval
- Transfer or other ownership changes requires reapplication by owner



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426C2 Business Property Tax Credit

- Auditor submits final file with data to IDR by June 30th each year
- IDR calculates credit and provides information to Auditor by July 15th each year
- Impact on production of timing of tax statements



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426C.2 & 426C.5 Business Property Tax Credit

How much?

- FY 2014/15: \$50 Million
- FY 2015/16: \$100 Million
- FY 2016/17: \$125 Million
- Capped at: \$125 Million

Payment to Counties

- November 15th and March 15th each FY
- Treasurer allocates to taxing districts



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441.21 Property Assessment Limitations

Growth in Taxable Value for - Residential & Agricultural

- Reduced from 4% to 3%
- Continue to be tied together

New Commercial, Industrial, Railroad Rollback or Assessment Limitation

- 95% 2013 Assessment
- 90% 2014 Assessment



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441.21A Replacement Claims

Only For Commercial & Industrial Classes

- Payment from State for “replacing the lost tax revenues as a result of the C/I rollback
- 95% rollback or assessment limitation
- 90% rollback or assessment limitation

How much?

- Appropriation covers all claims for FY 2014/2015
- Appropriation covers all claims capped at total amount for FY 2016/2017
- Not subject to uniform reduction
- Prorated if claims exceed FY 2016/2017 appropriation



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441.21A Replacement Claims

Process:

- Auditor prepares statement for claim amount.
 - Submits to IDR in August
 - By taxing district
- Portion of replacement claims considered property tax for school foundation payments
- Claims paid in September and March of each fiscal year



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441.21 Subdivision 13

Multi-Residential Classification

Beginning 2015 Assessment New Class

- Includes:
 - mobile home parks
 - manufactured home communities
 - land-leased communities
 - assisted living facilities
 - property primarily used or intended for human habitation containing three or more separate dwelling units
- Portions of properties less than three units used or intended to be used for human habitation (and a portion of the land) regardless of the number of units and that is not otherwise classed residential



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441.21 Subdivision 13

Multi-Residential Classification

Beginning 2015 Assessment New Class

- Excludes:
 - Section 42 housing
 - Hotels
 - Motels
 - Inns
 - Other buildings where rooms or dwelling units are typically rented for less than one month



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441.21 Subsection 13 Multi-Residential

- Multi-residential is to be **used or intended** to be used for human habitation
 - Dwelling units:
 - Apartment
 - Group of rooms
 - Single room
 - Occupied as separate living quarters or
 - if vacant, is intended for occupancy as a separate living quarters
 - Where a tenant can live and sleep separately
- That portion of a parcel with one or two dwelling units used for human habitation if on the same parcel with commercial/industrial valuation is classed as multi-residential



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Multi-Residential

Rollbacks

- 2015 Assessment 86.25%
- 2016 Assessment 82.5%
- 2017 Assessment 78.75%
- 2018 Assessment 75%
- 2019 Assessment 71.25%
- 2020 Assessment 67.5%
- 2021 Assessment 63.75%
- 2022 Assessment = residential rollback



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433.4 Telecommunications Exemption

2013 Assessment

- 0-20M value = 20%
- 20M-55M value = 17.5%
- 55M - 500 value = 12.5%
- >500M value = 10%

2014 Assessment

- 0-20M value = 40%
- 20M-55M value = 35%
- 55M - 500 value = 25%
- >500M value = 20%



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State Payments

- Business property tax credit 100%
- 1st year rollback on commercial industrial 100% replacement claim
- 2nd year rollback on commercial industrial 100% replacement claim
- Rollback on C/I capped at 3rd year amount replacement claim

** Allowable Growth limited to 3% for residential and agricultural

Local Dollars

- Rollback on railroad 100%
- Exemption for telecommunications
- Rollback for Multi-residential
- Rollback on commercial industrial after 3rd year > than replacement claim in year 3

Summary

2013 Property Tax Reform

- **What is the reform?**
 - **Credit, rollback & replacement claim, changes in taxable value growth, new class & telecommunications exemption**
- **Who does it impact?**
 - **Commercial, industrial, railroad, multi-residential property, telecommunications property & local taxpayers**
- **When does it happen?**
 - **2013 assessment – taxes due & payable 2014/2015**
- **How does it affect me as a supervisor?**
 - **Impacts to local budgets, impacts to local taxpayers**



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**Be direct, usually
one can accomplish
more that way.**



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Questions?

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